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APPLICATION OF

**COMMONWEALTH PUBLIC SERVICE
CORPORATION**

CASE NO. PUE990438

**For a general increase in rates
and revision in tariffs**

REPORT OF MICHAEL D. THOMAS, HEARING EXAMINER

December 1, 1999

On June 29, 1999, Commonwealth Public Service Corporation (the “Company”) filed with the Clerk of the Commission an application for a general increase in rates and revision in tariffs. In its application, the Company proposed an increase in rates to generate additional gross revenues of \$36,547.00 in order to provide a reasonable return on plant additions and replacements required to meet the Company’s public service obligation for safe and reliable service and to recover the increase in depreciation expense on those plant additions. The application was based on a test year ended March 31, 1999. The requested rate increase is designed to provide the Company a 10.5% return on equity. In addition, the Company proposed revisions in its tariff to include a new Distribution System Renewal Surcharge (“DSR Surcharge”), an unmetered gas light service schedule, and replacement of cubic feet based rates with therm based rates. The Company is seeking to align its tariff as much as practicable with Roanoke Gas Company’s tariff.¹ In support of its application, the Company filed the testimony of John B. Williamson, III, president and chief executive officer; Arthur L. Pendleton, executive vice president and chief operating officer; J. David Anderson, controller; and Dale P. Moore, director of rates, regulatory affairs, and financial planning. Included with the application were Schedules 1-36 as required by the Commission’s rules regarding utility rate increase applications and annual informational filings adopted in Case No. PUE850022.

On July 16, 1999, the Commission entered an order that suspended the Company’s proposed rate increase for 150 days, or through November 26, 1999.

The Commission subsequently entered an Order for Notice and Hearing on July 23, 1999, wherein the Commission appointed a Hearing Examiner to hear this case; required the Commission’s Staff to investigate the Company’s application; scheduled a hearing on the application for November 22, 1999; and established procedural dates for the filing of pleadings, prepared testimony and exhibits, and the publication of notice.

¹ In its Final Order dated January 19, 1999, in Case No. PUA980035, the Commission approved the corporate reorganization of Roanoke Gas Company, which included the merger of the Company into Roanoke Gas Company. During the test year, the Company was still operated as a subsidiary of Bluefield Gas Company.

There were no Notices of Protest or Protests filed by the dates set forth in the Commission's Order of Notice and Hearing. In addition, there were no written comments filed in opposition to the Company's proposed rate increase.

On November 5, 1999, the Staff prefiled the direct testimony of Janel F. English, public utility accountant; Mary E. Owens, principal financial analyst; and Gregory L. Abbott, utilities analyst. The Staff calculated a revenue requirement of \$42,967.00 for the Company based on a 10.5% return on equity. Since the Company is limited to the revenue increase requested in its application and for which public notice was given, the Staff witnesses did not take issue with the Company's proposed \$36,547.00 increase in gross annual revenues. With the exception of the Company's revenue apportionment and rate design, the Staff generally agreed with the Company's proposed changes in its tariff, with certain conditions placed on the DSR Surcharge.

The hearing on the application was convened on November 22, 1999. The Company appeared by its counsel, Michael J. Quinan, Esquire. The Staff appeared by its counsel, Sherry H. Bridewell, Esquire, and M. Renae Carter, Esquire. The Office of Attorney General, Division of Consumer Counsel appeared by its counsel, John F. Dudley, Esquire. No public witnesses appeared at the hearing to comment on the Company's proposed rate increase and revision in its tariff. The Company's proof of public notice was received into the record as Exhibit A. Pursuant to the parties' Joint Stipulation, the prefiled testimony and exhibits of the Company and the Staff were accepted into the record as Exhibits JBW-1, ALP-2, JDA-3, DPM-4, JFE-5, MEO-6, GLA-7, DPM-8 and DPM-9. The Joint Stipulation was accepted into the record as Exhibit JS-10, and is attached hereto. (Attachment A).

At the hearing, counsel for the Company moved to implement the rates set forth in the parties' Joint Stipulation, subject to refund with interest, on an interim basis for service rendered on and after November 27, 1999. In addition, the Company moved the admission of an executed bond dated November 18, 1999, in the amount of \$36,547.00 to secure any refunds which may, or may not, be ordered by the Commission in this case. The bond was accepted into the record as Exhibit CP-11. The Company's Motion to Implement Rates and Accept Bond was granted at the hearing and a written Ruling was subsequently filed with the Clerk of the Commission.

A transcript of the hearing is filed with this Report.

DISCUSSION

After considering the Company's and the Staff's prefiled testimony, as well as the Joint Stipulation filed by the parties, I find that the proposed \$36,547.00 increase in annual revenues and the rates set forth in the Joint Stipulation, and Exhibits 1 and 2 attached thereto, are reasonable and should be approved by the Commission. The proposed rates are not unjust, unreasonable, insufficient, or unjustly discriminatory or preferential, or otherwise in violation of the laws of this Commonwealth.²

I further find the tariff revisions set forth in the parties' Joint Stipulation are reasonable. The proposed DSR Surcharge contains the same safeguards approved by the Commission in *Application of Roanoke Gas Company*, Case No. PUE980626. Although the magnitude of the

² See, Section 56-235 of the Code of Virginia.

distribution system renewal program is much smaller in this case, the proposed DSR Surcharge allows the Company to efficiently recover its costs related to the program, while at the same time providing sufficient consumer safeguards to protect the interests of the Company's customers. The rate design proposed in the Joint Stipulation follows the Staff's proposal which decreases the impact of the rate increase on the Company's minimum use customers. Finally, the tariff revisions in the Joint Stipulation satisfy the Company's desire to conform its tariff to Roanoke Gas Company's tariff. Ultimately, this should eliminate any confusion for the Company's customers when the two companies are later merged.

Accordingly, **I RECOMMEND** that the Commission enter an order adopting the findings of this Report, approving the proposed revenue increase, rates and tariff revisions set forth in the Joint Stipulation, and Exhibits 1 and 2 attached thereto.

COMMENTS

The parties are advised that any comments (Section 12.1-31 of the Code of Virginia and Commission Rule 5:16(e)) to this Report must be filed with the Clerk of the Commission in writing, in an original and fifteen (15) copies, within fifteen (15) days from the date hereof. The mailing address to which any such filing must be sent is Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. Any party filing such comments shall attach a certificate to the foot of such document certifying that copies have been mailed or delivered to all counsel of record and any such party not represented by counsel.

Respectfully submitted,

Michael D. Thomas
Hearing Examiner